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Information Commissioner's Office

Internal Audit 2015-16: Finance System Benefits Realisation

Last updated 23 November 2015

Distribution		Timetable	
For action	Head of Finance	Fieldwork completed	21 October 2015
	Head of Good Practice	Draft report issued	18 November 2015
For information	Senior Corporate Governance Manager	Management comments	23 November 2015
	Audit Committee	Final report issued	23 November 2015

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Glossary

1	The following terms are used in this report:
4	ICO – Information Commissioner's Office

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It is the responsibility solely of the ICO management to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

1 Executive Summary

1.1 Background

As part of the 2015-16 Internal Audit Plan, we agreed with management and the Audit Committee to undertake a review to understand whether the ICO has successfully realised the intended benefits of its new finance system, Great Plains.

In 2014 the ICO agreed to replace its accounting system as it was no longer supported by the vendor, reliant on dedicated desktop PCs and did not provide effective reporting to either the Finance team or budget holders. A project to identify and deliver a replacement solution was therefore initiated in June 2014 and the core application was implemented in February 2015.

The high level requirements of the project were identified as being:

- A single integrated finance, purchasing and sales solution;
- A general ledger;
- The ability to create and report on departmental budgets;
- Management of the purchase ledger;
- Management of the sales ledger;
- The capability to record and manage project spend;
- Purchase Order Processing (POP);
- Sales Order Processing;
- Management of fixed assets;
- The application of special depreciation rules used by government organisations;
- End user query and analysis of financial data;

- End user budget reporting and report distribution;
- End user management, ad-hoc and performance reporting;
- Integration with ICE (Dynamics CRM).

1.2 Scope

Our review involved an assessment of the following risks:

- The expected benefits and functionality to be derived from the successful implementation of the new finance system may not have been achieved;
- The functionality of the new finance system may not include accurate and complete management information that is automated;
- The ICO may not have undertaken a detailed lessons learned exercise following the conclusion of this project.

Further details on responsibilities, approach and scope are included in Appendix A.

1.3 Overall assessment

We have made an overall assessment of our findings as:

Overall assessment	
We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.	Green

Please refer to Appendix B for further information regarding our overall assessment and audit finding ratings.

1.4 Key findings

Risk / Process	High	Medium	Low	Imp
Benefits and functionality achievement	-	1	-	-
Management Information	-	-	-	-
Lessons Learned	-	-	1	-
Total	-	1	1	-

The following finding is assessed as Medium:

- The initiation stage of the project was not begun with the completion and agreement of a formal initiation document. The deliverables set out in the project brief were not therefore developed into formal requirements which could be agreed or tracked during design, development or implementation. As a consequence of this, the deliverables reported upon in the closure documentation did not reconcile completely with those in the original brief. Two deliverables were not taken forward by the project nor detailed in the project closure document and one not originally included was added and implemented. For future projects, we would expect all benefits or requirements set out to be formally tracked by a project board. Any removed or added during the project lifecycle should be with the formal agreement of the Project Board and sponsor.

Further details of our findings and recommendations are provided in Section 2.

1.5 Basis of preparation

We identified the following controls during our audit:

- The finance system and reporting suite were successfully implemented in February 2015, delivering eight of the high level requirements. A further three will be delivered as part of a second phase of implementation which is currently under way;
- We confirmed that delivery to date has;
 - Removed the need to export and manipulate financial information within Excel Spreadsheets;
 - Allowed posting of all departmental costs directly in the ledger (and to the correct budgets);
 - Integrated the sales invoicing process, allowing for a true aged debtor profile to be produced and managed in association with the operational departments;
 - Reduced the resource required to manage individual budgets and produce monthly budgetary reports;
 - Allowed budget holders to examine budgetary headings to a level that identifies individual items and variances and insert commentary which may then be rolled up management account commentary;
 - Reduced the resource required to produce monthly and end of year management and financial accounts.
- A project brief document was completed prior to the project inception that documented the overall project objective and clear SMART deliverables;
- The project completed a formal closure document that details benefits and requirement delivery together with plans for the re-scoping of benefits not delivered as part of the implementation.

1.6 Elsewhere in the sector

We detail below other ways of working and commonly occurring issues that we have experienced during similar types of reviews for other public bodies. The following does not necessarily purport to be good practice but is included for your information and consideration:

- To manage key person dependencies and allowing finance teams to produce ad hoc reporting when required, other similar organisations will train both finance managers and finance team leaders in the use of reporting suites and reporting development software.

1.7 Acknowledgement

We would like to take this opportunity to thank the staff involved for their co-operation during this internal audit.

2 Detailed Findings

2.1 Benefits and functionality derived from the implementation of the new finance system may not have been achieved

1.	Medium	Governance of the project
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Finding and Implication	Proposed action	Agreed action (Date / Ownership)
<p>In scoping the implementation of the finance system, a project brief was developed by the project manager detailing fourteen high level deliverables, development and delivery timescales and the required personnel resource.</p> <p>The initiation stage of the project was not however begun with the completion and agreement of a formal initiation document. The deliverables set out in the project brief were not therefore developed into formal requirements, agreed or tracked during design, development or implementation. As a consequence of this, the project deliverables reported upon in the closure documentation did not reconcile completely with those in the original brief. Two deliverables (project accounting capability and sales order processing) were not taken forward by the project nor detailed in the project closure document and one (BACCESS-IP replacement via Paygate Online) not originally included was added and implemented.</p> <p>There is a risk that, by not formally agreeing and tracking requirements during the scoping and initiation phase, projects may suffer from scope creep (the addition or evolving of requirements during delivery), gaps in requirements or unforeseen requirement dependencies, ultimately impacting upon the quality of the final product or overall budget.</p>	<p>The ICO should translate all benefits set out in project initiation documents into specific delivery requirements that should then be formally tracked by the project board. Any benefits or requirements that are not to be delivered should be removed in a controlled manner with the agreement from the Project Board and project sponsor.</p> <p>In addition, project closure documentation should clearly indicate the delivery status of each requirement or benefit set out in the original project brief or initiation document. If removed, the reason for removal/de-scoping and formal agreement should be documented.</p>	<p>Our project management methodology (PM) requires the development of a Product Backlog to both articulate and track all project requirements and deliverables. Our PM methodology does not refer to a PID by name, but we agree the requirements that need to be tracked and are satisfied that we have the mechanisms in place (in the form of our Product Backlog and associated processes) to do that. It is recognised however that this was not done in this case. The recommendation is therefore agreed and no further action is required.</p> <p><i>Date Effective:</i> 23 November 2015</p> <p><i>Owner:</i> Paul Arnold Head of Customer and Business Services</p>

2.2 The ICO may not have undertaken a detailed lessons learned exercise following the conclusion of this project

2.	Low	Post implementation and lessons learned
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Finding and Implication	Proposed action	Agreed action (Date / Ownership)
<p>Following the implementation of the new finance system, the Project Manager completed a formal project closure document and an implementation review/lessons learned report. These documents detail the functionality that was implemented, the re-scoping of requirements not delivered and improvement discussion points relating to the ICO procurement process, IT observations, testing and data migration, support and project management.</p> <p>Neither the post implementation review nor closure document have documented the success of the project from the end user point of view. (i.e. whilst the system was delivered, does it deliver the functions it was expected to perform, do users find the application easy to use and is reporting easy to produce with the correct data?) , nor the ability of the project to deliver to budget and time constraints.</p> <p>In addition to this, although lessons learned are passed to the project team, project managers and project sponsors, there is no formal communication of improvement themes across teams.</p> <p>There is a risk that in not focussing on project successes, the effectiveness of the product delivery, or taking the opportunity share lessons right across the ICO, the department may not fully benefit from developments in good practice, develop skills across the organisation or prevent poor practice from being repeated in future projects.</p>	<p>In addition to project management factors and technical requirements, future project closure reviews should also take into account how effective the project has been from an end user perspective and if the project delivered to time and cost.</p> <p>The ICO should also develop and integrate into the project management methodology a process for the communication of good practice, developing methodologies and lessons learned across individuals and teams involved in project delivery.</p>	<p>We are satisfied that the positive outcomes from the finance project were understood by those involved and shared with all stakeholders and interested parties. We have however reviewed our lessons learnt process to ensure things are recorded more clearly.</p> <p><i>Date Effective:</i> 23 November 2015</p> <p><i>Owner:</i> Arnold Head of Customer and Business Services</p>

A Internal audit approach

Approach

Our role as internal auditor to a Public Body is to provide an independent and objective opinion to the Accounting Officer on risk management, control and governance processes, by measuring and evaluating their effectiveness in achieving the organisation's agreed strategic objectives.

Our audit was carried out in accordance with the guidance contained within the Government's Internal Audit Standards (2013) and the Auditing Practices Board's 'Guidance for Internal Auditors'. We also had regard to the Institute of Internal Auditors' guidance on risk based internal auditing (2005). In addition, we comply in all material respects with other Government guidance applicable to Public Bodies and have had regard to the HM Treasury guidelines on effective risk management (the 'Orange Book').

As part of the internal audit plan for 2015-16, we agreed with the Audit Committee and management that we should carry out a review of the delivery of the benefits realised from the implementation the ICO's new finance system.

We achieved our audit objectives by:

- Meeting with individuals responsible for setting, monitoring and implementing the new system;
- Obtaining evidence to confirm the operation of understood controls;

- Meeting with a sample of individuals with responsibility for carrying out the implementation across the ICO to understand and test the processes operated in project management;
- Meeting with a sample of budget holders to understand their experience of the system implementation process and their experience of the end product.

The findings and conclusions from this review will support our annual opinion to the Audit Committee on the adequacy and effectiveness of internal control arrangements.

Responsibilities

The Information Commissioner acts through his Board of Management and the Information Commissioner's Office ("ICO") discharges his obligations. Therefore references to the Information Commissioner and the ICO in this report relate to one and the same party.

It is the responsibility of the Information Commissioner to ensure that the ICO has adequate and effective risk management, control and governance processes.

HM Treasury's Corporate Governance in Central Government Departments (2011) states that boards of Public Bodies should determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should therefore maintain sound risk management and internal control systems and should establish

formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the organisation's auditors.

Please refer to our letter of engagement for full details of responsibilities and other terms and conditions.

Scope

Our review involved an assessment of the following risks:

- The expected benefits and functionality to be derived from the successful implementation of the new finance system may not have been achieved resulting in an inability of the finance system to support effective decision making and savings from greater efficiencies in and effectiveness of financial control and reporting;
- The functionality of the new finance system may not include accurate and complete management information that is automated resulting in financial management that is inefficient and ineffective in holding departmental heads to account for their areas' financial performance;
- The ICO may not have undertaken a detailed lessons learned exercise following the conclusion of this project resulting in a failure to prevent poor practice from being repeated in future similar projects.

Additional information

Client staff

The following staff were consulted as part of this review:

- Heather Dove (Head of Finance);
- Simon Wiseman (Project Manager);
- Andy Laing (Head of Performance Improvement);
- Louise Byers (Head of Good Practice);
- Michael Collins (Head of Organisation Development);
- Anne Jones (Deputy Commissioner Wales).

Documents received

The following documents were received during the course of this audit:

- Project Brief v0.2
- Project plan
- Project Closure document
- Lessons Learned v1.2
- Examples of financial reporting (for whole department and for business units)
- Creditor and Debtor review (September 2015)

Locations

We visited The Information Commissioner's Office, Wilmslow for this review.

B Definition of overall assessment internal audit ratings

Overall assessment

Rating	Description
Red	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which should be raised with Senior Management and the Audit Committee at the earliest opportunity.
Amber	Following agreement of the nature and significance of individual issues with management, in our view this report contains matters which require the attention of management to resolve and report on progress in line with current follow up processes.
Green	We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.

Audit issue rating

Within each report, every audit issue is given a rating. This is summarised in the table below.

Rating	Description	Features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	<ul style="list-style-type: none"> • Key control not designed or operating effectively • Potential for fraud identified • Non compliance with key procedures / standards • Non compliance with regulation
Medium	Important findings that are to be resolved by line management.	<ul style="list-style-type: none"> • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures.	<ul style="list-style-type: none"> • Minor control weakness • Minor non compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or best practice advice	<ul style="list-style-type: none"> • Information for department management • Control operating but not necessarily in accordance with best practice



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